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Metropolitan Transportation Commission

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Joint Policy Committee / Regional Planning Program

ITEM #8

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To: Joint Policy Committee

From: Regional Planning Program Director

Subject: Smart-Growth Incentives for Neighborhoods

The Joint Policy Committee has requested information on smart-growth incentives. This memo is the second in a series intended to lay out a framework for understanding and organizing incentives and describing what is presently and potentially available to encourage smart growth. The first memo in the series inventoried incentives applicable to local government. The third will describe encouragements for developers and investors. This current memo deals with what may assist neighborhoods in accepting infill development and associated community change. Together, the three memos will comprise a broad *menu* from which the JPC, its member agencies, and others may explore and choose various incentives to facilitate the smart growth vision.

1. Neighborhoods and Smart Growth

Central to the smart growth idea are infill and redevelopment within existing communities. This kind of compact growth helps the region employ existing infrastructure more efficiently, it reduces potential commute distances, and it supports the continued economic and social health of those existing places—reversing the trend to abandon and throw away older, inner areas. Unfortunately, residents of existing neighborhoods often oppose new development and are successful in defeating proposals before commissions, councils or boards or in discouraging developers from proceeding with their plans. Sometimes community opposition results in litigation, which can be time-consuming and expensive. Projects that are not abandoned may be modified to the point of grossly under-fulfilling their potential to serve smart-growth objectives.

Opposition generally stems from two root causes: (1) fear of displacement as the result of *gentrification*; and (2) a more general fear of change which can be exhibited in a multitude of economic and quality-of-life concerns. The second fear is pejoratively described as *NIMBYism*, though that broad label may at times be too dismissive of genuine issues which should and can be resolved. Effective neighborhood incentives need to address one or both of these causes, depending upon the specifics of the situation.

2. Incentives to Neighborhoods

As with incentives for other actors in the development process, incentives to neighborhoods can be arrayed along a continuum from intangible to tangible. There are some quite tangible incentives available to encourage neighborhoods to accept growth and change, but many of the most effective neighborhood incentives tend toward the intangible end of the continuum. This

memo lays a foundation with some of these more intangible incentives and then works up the ladder of tangibility.

2.1 Involvement in the Planning Process

People and communities are generally more accepting of change if they have a role in designing it. Community participation allows residents and businesses to build indigenous neighborhood objectives into the planning and development process, to identify and mitigate potential negative impacts, and to achieve some co-ownership of the results. The plan is not just the developer's plan, or the city's plan, but the community's plan.

Community involvement in the planning process can take a variety of forms and can be arrayed over a broad spectrum of community ownership. In the context of contemporary open government, minimum community ownership is achieved by the ability to react and comment. A more meaningful, medium level of shared buy-in is achieved by inviting people to participate in a structured planning exercise, such as visioning and goal-setting sessions or design charrettes. Maximum ownership is attained when communities are given some control over the planning process through an institutional mechanism like a neighborhood planning committee, which may oversee the entire process and make formal recommendations to decision makers. The last alternative permits the most in-depth discussion and informed negotiation of plan options.

The last alternative, a structured committee process, is also the most time-consuming and is frequently perceived as the most risky, because it requires some sharing of control. However, all levels of neighborhood involvement include some element of risk. The character of the risk varies as well as the magnitude. Minimum community involvement and minimum co-ownership of the planning process may result in a binary, all-or-nothing risk situation. The plan or project will either proceed or not, depending on the persuasive or political powers of opposing sides. In the negotiated result more typical of a good planning-committee process, neither side gets everything it wants, but there is a compromise respectful of both community and extra-community objectives.

Good neighborhood planning requires very careful organization. All participants must clearly understand and accept their role in decision-making (particularly acknowledging who is responsible for the ultimate decision—usually a duly elected local council or board); and all relevant interests must be effectively represented around the table, not just present local interests, but also city-wide and regional interests which may have a longer-term stake in the outcome.

The benefits of community involvement in planning are explicitly recognized by MTC's TLC program, which requires as a first criterion that projects "are developed through a collaborative and inclusive planning process that includes broad partnerships among a variety of stakeholders."

2.2 Information

Neighborhoods frequently worry about the negatives which new development will bring: increased traffic congestion; more parking on the streets; pressure on schools, parks, recreation

centers and other neighborhood infrastructure; reduced property values (or increased rents); reduced privacy and loss of sunlight access as the result of higher, larger buildings; decreased safety and security because of more and different people. Some of these worries are real, others are mythical. Some concerns are invented as proxies for baser, socially unacceptable fears that are seldom uttered.

Within this context, a lot of information will be greeted with skepticism, some will be dismissed, and much will be ignored. Nevertheless, the proponents of change are best advised to provide as much objective information about the impact of change as they can. This will help feed intelligent debate and allow the un-predisposed to make up their minds with more confidence than otherwise. Information has both intrinsic and symbolic value: it informs the decision and it exhibits sensitivity to neighborhood issues.

2.3 Incidental benefits

One specific class of information relates to the spillover benefits which new development can provide to surrounding and adjacent neighborhoods. Depending on the scale of infill or redevelopment, these can be substantial and might include:

- Increased market for existing and new stores, shops, theaters and restaurants (from which existing, as well as new residents can benefit);
- New jobs which can be filled by existing residents and their children;
- More foot traffic and eyes on the street, which can help improve perceived and real safety;
- New students that can help keep a neighborhood school open;
- New transit riders that can help justify a higher frequency of service;
- Neighborhood image and proximity effects, which may buoy up the values of all neighborhood properties;
- A generally more diverse and interesting place in which to live and interact.

2.4 New neighborhood amenities and infrastructure

New development is frequently required by CEQA and by local regulations to mitigate its impacts on the surrounding area. Public and private investment in association with new development may also be used to ameliorate undesirable conditions which existed before the development or simply to provide new amenities and other goods that make the change more palatable to the broader neighborhood. Among the enhancements which new development may provide to its surrounding neighborhood are:

- Open space, developed parks and other recreation and cultural facilities;

- New sidewalks and better pedestrian and bicycle connections, particularly to transit;
- Attractive street furniture, new pavement, street trees and landscaping, and improved street lighting.

2.5 Displacement mitigation

At the heart of the gentrification issue is the fear that the rising tide will not float all boats equally; that existing residents and businesses will not gain from neighborhood improvement but instead will be forced out by those able and willing to pay higher prices for newly improved or revalued properties. While not perfect, some mechanisms are available to assist those with lower incomes stay in the neighborhood and benefit along with new residents and businesses. Among these are:

- A municipal requirement that developers provide an allocation of replacement housing at affordable rents or ownership costs;
- Location-efficient mortgages, which permit those with easy access to transit to qualify for higher mortgages by virtue of the fact that they require a lower percentage of their income for automobile commuting expenses;
- Modification of zoning ordinances to permit secondary, accessory units; providing lower-cost accommodation for renters along with mortgage helpers for lower-income homeowners;
- Tax abatements or deferrals for long-time homeowners, reducing the possibility that high property taxes will force sales and move-outs (In California, one of the few advantages of Proposition 13 is its mitigating impact on tax-driven displacement);
- Performance-based building codes which encourage the cost-efficient rehabilitation of existing units over replacement or abandonment;
- The use of Community Development Block Grants (CDBG) and other government subsidies for housing investments and revitalization efforts targeted to low-income residents in existing neighborhoods;
- Linked deposits for housing rehabilitation, wherein local government accepts a lower-interest on some of its bank deposits in turn for banks issuing lower-interest loans to assist housing rehabilitation in the community;
- Community land trusts, where non-profits own the land and home-owners purchase only the improvements, thus reducing the cost of home ownership;

- Non-profit, community-based development corporations, which accept lower than market returns in exchange for the ability to pursue community economic- and social-development objectives.

2.6 Development participation

Land trusts and community-based development corporations point to an emerging but very tangible class of incentives: direct community participation in the economic benefits, even the profits, of development. While community-based development has been most prevalent as a bootstrap technique in lower-income neighborhoods, there are a few examples of neighborhood partnerships pursuing development profits in more affluent communities.

A few neighborhoods have organized property pools, wherein neighbors join their parcels together to create an attractive development site for higher density. The neighbors, rather than a developer, then reap the land-value increment resulting from assembly.

While principally used to date to help preserve historic landmarks, open spaces and other community assets, transfer of development rights (TDR) might also be used to help neighbors preserve their existing homes while participating directly in the financial results of higher-density development. It might work something like this:

- the local government provides a small increment of zoned density across a broad neighborhood area (for example, the permitted floor area ratio (FAR) is increased from 0.6 to 0.8 in area where most homes are already developed to 0.6);
- the local zoning also permits property owners to transfer all or part of their incremental density (in square feet) to a recipient site and for that site to amass density up to a designated maximum (say 2.0);
- the owner of the recipient site compensates the owners of donor sites at a market rate per developable square foot;
- the recipient site is developed at an incrementally higher density than the surrounding neighborhood, with existing owners reaping direct financial benefit.

Obviously this kind of incentive cannot be implemented casually. Without a great deal of care, it could set up a destructive dynamic among neighbors, particularly if some neighbors chose to participate in the transfer scheme and others did not. Depending on one's position or perspective in the development process, it could be perceived as either blackmail or bribery. And the distribution of recipient and donor sites would have to be subject to a meticulous land-use plan. However, in the context of an inclusive, consensus-based plan, a cautious and limited TDR scheme may be an effective means of creating more neighborhood winners and fewer perceived losers in the redevelopment game.

3. Conclusion

A number of incentives are available to help neighborhoods accept infill, redevelopment and associated change. By far the most effective and least paternalistic are those which the neighborhood designs for itself through a challenging, inclusive planning process. The JPC has already gone on record in support of state funding for specific plans, and the draft TOD policy proposes the use of MTC TLC funds for specific plans around transit stations. A well-planned community, planned with existing community residents and businesses but also mindful of future regional needs, may be its own highest incentive.